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SIPDIS
SENSITIVE

NEA FOR FRONT OFFICE AND IPA; PRM FOR PRM/ANE; NSC FOR SHAPIRO/PASCUAL, TREASURY FOR PARODI/AHERN/VELTRI;
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E.O. 12958: N/A

TAGS: ECON EAID EFIN KWBG PGOV PTER IS
SUBJECT: PA PLANS FOR MARCH 2 CAIRO CONFERENCE

¶1. (SBU) Summary: In advance of the Cairo Conference in Support of the Palestinian Economy on March 2, the Palestinian Authority has prepared a plan for the early recovery and reconstruction of Gaza. The PA's goal at the conference is to demonstrate that the PA is ready and able to take charge of the recovery effort in Gaza, and to seek coordinated financial assistance in the form of direct budget support and project funding to implement the recovery in Gaza, synchronized with the Palestinian Reform and Development Plan (PRDP). End summary.

The Gaza Early Recovery and Reconstruction Plan

¶2. (SBU) The PA Ministry of Planning has drafted a Gaza Early Recovery and Reconstruction Plan ("Gaza Plan") with input from the UN, World Bank, the Palestinian Central Bureau of Statistics, Palestinian Economic Council for Development and Reconstruction (PEDCAR), the Ministry of Finance, and other organizations. The PA will present the plan on March 2. The guiding principle of the Gaza Plan is Palestinian ownership of the recovery process, through the leadership of the PA, and according to the PRDP. The plan delineates priority areas for intervention and proposes recovery projects in five categories: Social Sector, Infrastructure Sector, Economic Sector, Governance, Natural Resources and the Environment. The plan also lists the specific damage and needs resulting from the conflict, as well the estimated cost of each recovery project.

¶3. (SBU) According to Ministry of Planning contacts, the PA's goal at the Cairo conference is to (1) create awareness of the needs in Gaza, (2) make clear the PA is taking charge of the recovery effort, and (3) seek systematic, coordinated financial assistance. The PA will seek donor support in two main areas: a) direct, un-earmarked budget support through the Single Treasury Account, and b) un-funded gaps in the Gaza Plan. PM Salam Fayyad will attend the Cairo conference; President Abbas is considering his attendance.

Financing Mechanisms

¶4. (SBU) The PA will urge donors to channel assistance directly to the PA, through the Single Treasury Account, as un-earmarked budget support. Contacts noted the PA is facing desperate budget constraints, and needs direct budget support to pay salaries in the West Bank and Gaza, as well as to implement parts of the recovery plan. The Gaza Plan encourages donors to support existing mechanisms such as the PRDP Trust Fund and World Bank program, PEGASE, and the Islamic Development Bank, all of which can transfer funds quickly to the PA and to other public entities for recovery

activities. The PA also supports the funding of UN agencies, but wants such funding to be closely coordinated with the PA.

Finally, in recognition of possible donor constraints, Ministry of Planning contacts said the PA is willing to explore other funding mechanisms, provided they do not duplicate or undermine existing mechanisms.

¶ 15. (SBU) The PA will also highlight the measures it has already taken to provide immediate relief in Gaza. This includes allocating USD 50m to compensate people whose homes were totally or partially demolished during the fighting. USD 20m has already been transferred to UNDP, which reports that disbursement began on February 11. The PA will also note its commitment to provide USD 17m for water/sanitation and electricity repairs, to be carried out by broadening the scope of projects already underway in Gaza. Finally, the PA will seek donor support for its USD 600m project to provide grants (with a small loan component) through commercial banks to people whose houses were damaged during the conflict.

Cash and Crossings

¶ 16. (SBU) Contacts in the PA, NGO, and international community all stated that success of any recovery efforts in Gaza will depend on GOI policies at the crossings. On February 6, the PMA transferred NIS 175m (USD 44m) worth of banknotes from West Bank banks into Gaza. PM Fayyad stated that a portion of this will be used to fund the first phase of the cash assistance program, which UNDP is implementing. (Note: The first phase of the cash assistance program will require approximately NIS 80m, or nearly half of the cash that was

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allowed into Gaza on February 6. End note.) Salaries are also due to be paid no later than February 18, and the PA payroll in Gaza equals approximately NIS 200m.

Reactions in Gaza

¶ 17. (SBU) A business contact in Gaza told Econoff Febuary 12 that although he understands the PA's need to "do something" in Gaza, the business community as a whole is not supportive of Fayyad's decision to fund the cash assistance program at the expense of salary payments. Contacts were skeptical that the USD 600m assistance program for house reconstruction could succeed, given the scarcity of cash and of building materials in Gaza due to GOI crossing policies. (Note: Contacts also referred to the cash assistance program as "the UN reconstruction effort" indicating that if these programs are successful, the PA will have to work hard to claim credit for PA-funded recovery programs. End note.)

WALLES